



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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August 3, 2001

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES – FISCAL
REVIEW RECOMMENDATION FOLLOW-UP #3**

On April 27, 1999, your Board instructed the Department of Children and Family Services (DCFS) to immediately implement all of the recommendations contained in our April 14, 1999 report on DCFS' fiscal operations. Your Board further instructed the Auditor-Controller (A-C) to provide status reports on the Department's progress in implementing the recommendations. Our last recommendation status report was submitted to your Board on October 20, 2000.

The purpose of our review was to determine the Department's progress towards implementing the recommendations since our last status report, and to determine whether corrective actions taken to date have improved the Department's oversight and administration of its fiscal operations.

For our current review, we selected 19 of the 59 recommendations that had not been previously reported as implemented. We will review the implementation status of any remaining recommendations in subsequent reports to your Board.

Summary of Findings

Our review disclosed that some progress has been made to implement the remaining recommendations. Of the 19 recommendations reviewed, we noted that six recommendations had been implemented, 12 recommendations remain in progress and one recommendation is no longer applicable. Details of our review are included in the attached report.

Review of Report

We discussed our report with DCFS management on June 28, 2001. They agreed with our appraisal of the Department's progress in implementing the recommendations, and will provide your Board with a written response within 60 days of the issuance of this report.

We thank management and staff for their cooperation and assistance during our review. Please call me or have your staff call Pat McMahan at (213) 974-0729 if you have any questions.

JTM:PTM:MR:TK

Attachment

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Public Information Office
Audit Committee Members
Commission for Children and Families
Department of Children and Family Services
Anita Bock, Director
Ed Hatzenbuehler, Bureau Chief, Finance and Administration
Genevra Gilden, Chief, Quality Assurance Division

Department of Children and Family Services
Fiscal Review Recommendation Follow-Up #3

Background

On April 27, 1999, your Board instructed the Department of Children and Family Services (DCFS) to immediately implement the 80 recommendations contained in our April 14, 1999 report on DCFS' fiscal operations. Your Board further instructed the Auditor-Controller to provide status reports on the Department's progress in implementing the recommendations. Our last recommendation status report was submitted to your Board on October 20, 2000.

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Summary/Conclusion

Our review indicates that some progress has been made to implement the recommendations. Of the 19 recommendations reviewed, we noted that six recommendations had been implemented, 12 recommendations remain in progress and one recommendation is no longer applicable.

Status of Recommendations

Following is the status of each recommendation reviewed, including the corrective actions taken by the Department.

Claiming

Recommendations 9

DCFS management ensure that Eligibility Workers fully document eligibility determinations, and ensure copies of Court Minute Orders are kept in the eligibility file.

Current Status: **IMPLEMENTED**

Our original review disclosed that necessary documentation (i.e., copies of Court Minute Orders) was not included in approximately 20% of the cases reviewed. Accordingly, we selected and reviewed 30 case files to determine if they contained appropriate eligibility

documentation. DCFS personnel could not locate four of the 30 case files requested. The remaining 26 files contained all appropriate initial eligibility documentation.

Recommendation 11

DCFS management ensure that eligibility redeterminations are completed every six months as required by State regulations.

Current Status: IN PROGRESS

Our original review disclosed that State-required eligibility redeterminations were not performed every six months as required. Accordingly, we reviewed the same 26 case files referred to above to determine if eligibility redeterminations were performed timely. For the four missing case files, we accessed the Department's Child Welfare Services/Case Management System (CWS/CMS) to obtain the necessary information. Accordingly, we were able to evaluate all 30 cases for compliance with the State required eligibility redetermination guidelines. In 19 of the 30 cases reviewed, eligibility redeterminations were performed on average 203 days late, and some were still delinquent as of the date of our testwork. In addition, redeterminations for 14 of the 19 cases were not performed until after we requested the case files.

Procurement, Payment Practices and Warehousing

Recommendation 29

DCFS management require Procurement staff to obtain current ISD Purchase Standards and ensure that these standards, as well as recommendations contained in this report, are addressed in its procurement handbook.

Current Status: IMPLEMENTED

During our prior follow-up review, we noted that DCFS management had obtained and provided Procurement staff with copies of the most current ISD standards. However, DCFS had not yet addressed the ISD standards in their Procurement handbook.

Our current review disclosed that DCFS Procurement staff have revised their handbook to include appropriate ISD standards (e.g., using Minority and Women Business Enterprises; rotating vendors in soliciting price quotes). In addition, we noted that additional items have been addressed in the handbook as recommended in our initial report (e.g., use of sole source providers, fragmenting of orders). Accordingly, we consider this recommendation fully implemented.

Recommendation 37

DCFS management take steps to ensure the Department maximizes cash discounts.

Current Status: IMPLEMENTED

On November 3, 2000, DCFS management re-issued a training bulletin to staff emphasizing the need to maximize available cash discounts. We reviewed 13 invoices with available discounts and noted that all discounts were taken.

Recommendation 39

DCFS management take steps to ensure payments are made to vendors within 30 days, as required by CFM section 4.3.8.

Current Status: IMPLEMENTED

On March 8, 2000, DCFS management issued a training bulletin to staff outlining procedures for timely processing of invoices. We tested 30 vendor payments and found that all 30 were paid within 30 days, as required by CFM section 4.3.8.

Recommendation 45

DCFS management ensure that fixed asset responsibilities are properly separated.

Current Status: IN PROGRESS

Our initial review disclosed that the warehouse duties associated with ordering and receiving goods, conducting physical inventories and maintaining inventory records were not adequately separated. Our current review disclosed that significant progress has been made to separate non-compatible duties. However, we noted that one individual is still responsible for receiving goods and recording transactions. To improve controls over fixed assets, DCFS management needs to ensure the duties of receiving goods and recording transactions are adequately separated.

Recommendation 46

DCFS management ensure fixed assets at the MID warehouse are properly secured by keeping the key in a locked drawer.

Current Status: IMPLEMENTED

Our initial review disclosed that the key to the MID warehouse is maintained in an unlocked drawer in a general work area of the MID warehouse. We observed during our current review that the key was still maintained in an unlocked drawer. However, subsequent to our observations, the Data Systems Supervisor indicated that the key is now maintained in the secretary's locked overhead cabinet, the key to which is maintained in the secretary's locked desk drawer. A supervisor in the inventory control unit also has access to the key.

Trust Funds

Recommendation 53

DCFS management require the Overpayment Unit to reconcile the Overpayment Trust Fund to CAPS monthly.

Current Status: **IMPLEMENTED**

We reviewed account activity for two months and noted that the Overpayment Trust Fund is appropriately reconciled to CAPS each month. As part of the reconciliation process we ensured that collections were deposited to the trust fund, appeared on the Abatement Report, and were subsequently transferred out of trust and reduced from the appropriate foster care Assistance Claim. Based on the above, we consider this recommendation fully implemented.

Recommendation 54

DCFS management enhance the Overpayment Collections System to include a field for the Deposit Permit number corresponding to each collection.

Current Status: **NO LONGER APPLICABLE**

Our review disclosed that the processing of overpayments has changed since the date of our initial review. Originally, all overpayment collections were sent directly to the downtown office for processing. The corresponding batch data and deposit permits were subsequently forwarded to the Covina office where the data was input to the Overpayment Collections System. Under their new procedures, collections are initially processed in the Covina office and are then sent downtown, where they are assigned a batch number. Since the Deposit Permit number is not assigned to the batch until after processing in Covina has occurred, it would appear counterproductive to add the number to each individual collection after the fact.

Accordingly, staff now prepare an itemized listing of collections upon receipt, post each collection to the Overpayment Collections System, and prepare an itemized bank deposit slip. During the reconciliation process, staff compare the individual, itemized collections to deposit records to ensure all collections received have been deposited. In addition, they compare all collections to the Overpayment Collections System to ensure everything has been recorded. Based on the unit's newly developed procedures, it appears that appropriate controls and procedures are in place to ensure all collections have been deposited and that all funds deposited have been posted to the Overpayment Collections System. Accordingly, this recommendation is no longer applicable.

Recommendation 59

DCFS management develop guidelines indicating the types of allowable donation expenditures.

Current Status: IN PROGRESS

Our initial review disclosed that funds donated to the Department were not always used to directly benefit the children and families DCFS serves. We also noted a need for detailed written procedures indicating the type of expenditures that can be made with donated funds.

DCFS Finance re-issued a bulletin in August 2000, indicating that donated funds may not be used to benefit Departmental employees. However, the bulletin does not specifically state the types of allowable donation expenditures, as required by the recommendation. As a result, our current review disclosed continued problems with the types of expenditures made from the Department's Trust Fund. For example, we noted a number of instances where Trust funds were used to buy theme park tickets and entertainment books for Departmental employees. While the latter was reimbursed to the Trust Fund, clearly the Fund should not be used for employees' personal use. In addition, we noted that one of the approvers for the account stated that he had not read the bulletin.

To fully implement this recommendation, DCFS needs to take additional steps to ensure donation funds are used solely to benefit the children and families it serves. This should include developing and disseminating a specific policy regarding the types of allowable expenditures.

Recommendation 60

DCFS management ensure revolving fund checks used for donation expenditures include the phrases "Amounts over \$500 require two signatures" and "Not good for over \$1,000."

Current Status: IN PROGRESS

We noted that checks from both revolving fund accounts contain the phrases "Not good over \$1,000" and "Requires two signatures." However, our testwork disclosed that two (20%) of ten expenditures reviewed from the Children's Trust Fund account exceeded the \$1,000 limit.

DCFS needs to strengthen controls to prevent disbursements of more than \$1,000 from revolving fund accounts by contacting their banking institutions to ensure checks are not cashed in these instances. In addition, DCFS management needs to reinforce existing procedures with staff.

Recommendation 61

DCFS management delete the supervisor responsible for reviewing and approving the General Donation Trust Fund and the Children and Family Services Trust Fund bank reconciliations from the authorized signer list.

Current Status: IN PROGRESS

Our current review disclosed that adequate separation of duties now exist over the Children and Family Services Trust Fund. However, the individual responsible for reconciling the General Donations Trust Fund also has check signing authority. In order for this recommendation to be fully implemented, all persons who reconcile or approve bank reconciliations must be deleted from the list of authorized check signers.

Payroll Processing**Recommendations 62, 63 and 64**

DCFS management formally notify all employees of the DCFS policy prohibiting more than 96 overtime hours per month.

DCFS management centrally monitor employees for compliance with the policy and take corrective action when violations occur.

DCFS management ensure all overtime worked is properly approved.

Current Status: IN PROGRESS

In July 2000, DCFS management issued a bulletin indicating that employees should not work more than 24 hours per week or 96 hours per month in overtime. The bulletin also outlines the approval process and consequences for non-compliance with the overtime policy. The new overtime policy also appears on DCFS' intranet, LA Kids.

To ensure compliance with the policy, DCFS downloads a monthly report from the Countywide Timekeeping and Payroll Personnel System (CWTAPPS) listing all employees who have exceeded the 96-hour monthly limit. A memorandum is forwarded to the appropriate Regional Administrators so that corrective actions can be taken.

We obtained overtime reports from CWTAPPS to determine if overtime limits had been exceeded. Our testwork disclosed four employees who averaged more than 96 overtime hours per month during the period August 2000 to June 2001, including one who averaged 118 hours per month. These employees received overtime pay ranging from \$43,600 to \$53,800 per year.

We also requested the applicable payroll records to determine what approvals, if any, were obtained to work the overtime, and what actions, if any, were taken when overtime

limits were exceeded. However, due to the recent move of the Department's payroll section, all pertinent records were in storage. Accordingly, we will further test the Department's compliance with these policies in a subsequent review.

To fully implement this recommendation, DCFS management needs to take additional steps to ensure employees are aware of the overtime policy, monitor employees for compliance and take corrective action when violations occur.

Recommendation 65

DCFS management revise the Request for Time Off or Overtime form to include a space for managers to indicate their approval date.

Current Status: IN PROGRESS

Management has revised the *Request for Time Off or Overtime form* to include a space for manager approval date. However, the final draft of the form has not yet been approved. Therefore, this recommendation continues to be in progress.

Recommendation 67

DCFS management establish a policy for managers, upon receiving a transferred employee, to contact their pay location timekeeper to determine if the employee is receiving a bonus that should be canceled.

Current Status: IN PROGRESS

In July 2000, management issued a bulletin which stated that bonuses for employees who are transferred to a different Unit/Division/Bureau or are promoted will have their bonus eligibility removed from CWTAPPS unless explicit instructions are given that the bonus remains applicable.

We reviewed 11 instances where an employee receiving a bilingual bonus was promoted, and two instances where an employee receiving a bilingual bonus was promoted and transferred within the Department. In all 11 instances, the employees received a "paired class" promotion (i.e., promotion from CSW I to CSW II, or Eligibility Worker I to Eligibility Worker II), as opposed to a functional promotion (i.e., CSW III to Supervisor). Staff indicated that in these instances, managers are not required to prepare the "Form 68" indicating whether or not the employee's bilingual bonus should continue. Staff added that in these instances (i.e., "paired class" promotions) the bilingual bonus remains applicable. Accordingly, staff from personnel automatically continue the employee bonus.

For the two employees that were promoted and transferred, it appears that the managers appropriately prepared the Form 68 instructing personnel to stop the bonuses. However, in one of these instances, personnel continued the bonus anyway.

We were unable to determine why the bonus was continued and whether the action was appropriate.

Based on the above, it appears staff have been interpreting the bilingual bonus policy to require an evaluation of an employee's continued bonus eligibility only when the employee receives a functional promotion. While management agrees with this interpretation, the Department's policy implies that all employees receiving a promotion, whether paired class or functional, should be evaluated to determine the applicability of the bilingual bonus.

Accordingly, in order for this recommendation to be fully implemented, DCFS management needs to clarify their bilingual bonus policy as it relates to employees who are transferred or promoted, and ensure consistent application of the policy by staff.

Recommendations 68 and 69

DCFS management, with the assistance of the CAO and Department of Human Resources, establish written guidelines to clarify application of the evening/night bonus rules and provide supervisory staff with training.

DCFS management ensure that future MOUs are revised to correspond to the written guidelines.

Current Status: IN PROGRESS

Our initial review disclosed some confusion regarding the application of Los Angeles County Code Section 6.10.020 "evening/night bonus" rules. The lack of clarity has led to inconsistencies in applying the rules and has resulted in some employees filing grievances against the Department. We recommended DCFS work with the Chief Administrative Office (CAO) and the Department of Human Resources to establish written guidelines.

Our current review disclosed that DCFS has discussed these issues with the CAO and, in conjunction with the Department of Human Resources, has drafted a formal interpretation of the evening/night bonus rules. However, the Department has postponed the full implementation of these recommendations due to ongoing employee negotiations. Accordingly, these recommendations continue to be in progress.

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